

# **COMPARATIVE STUDY OF ISLAMIC BANKING BETWEEN MALAYSIA AND PAKISTAN**

A thesis submitted to the Faculty of Finance and Banking in partial fulfillment of the  
requirement for the degree Master of Science (Finance),  
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by  
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BETWEEN MALAYSIA AND PAKISTAN**

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## TABLE OF CONTENTS

	Page
PERMISSION TO USE	i
ABSTRAK	ii
ABSTRACT	lli
ACKNOWLEDGEMENT	iv
LIST OF TABLES	v
<b>CHAPTER ONE</b>	
<b>INTRODUCTION</b>	
1.1 Overview of Islamic Banking	1
1.2 Islamic Banking in Pakistan	3
1.3 Islamic Banking in Malaysia	4
1.4 Problem Statement	7
1.5 Objectives and Scope of Study	8
1.6 Limitationof the study	9
<b>CHAPTER TWO</b>	
<b>LITERATURE REVIEW</b>	
2.1 Theory	10
2.1.1 Quranic Verses Related to Islamic Banking	10
2.1.2 Riba in Hadith	13
2.1.3 Finance Theories Related to Islamic Banking	17
2.1.3.1 Agency Problem	17
2.1.3.2 Moral Hazard & Adverse Selection	20
2.1.4 Ethical Banking Principle and Shariah Law	21
2.1.5 Issues and Problems	23
2.2 Related Studies	26
2.2.1 Empirical Evidence	38

**CHAPTER THREE**  
**ISLAMIC FINANCIAL INSTRUMENTS PRACTICED IN**  
**MALAYSIA AND PAKISTAN**

3.1 Murabaha	49
3.2 Ijara	50
3.3 Mudaraba	51
3.4 Musharaka	52
3.5 Bay Salam	52
3.6 Istisna	53
3.7 Bay Bithamal Ajjil	54
3.8 Bay al-inah	55
3.9 Bay al-Dayn	56

**CHAPTER FOUR**  
**RESEARCH METHODOLOGY**

4.1 Data Sources	57
4.2 Population	57
4.3 Sampling Unit	57
4.4 Sample Size	58
4.5 Research Design	58
4.6 Data Analysis	59

**CHAPTER FIVE**  
**ANALYSIS OF RESULTS**

5.1 Frequency Analysis Results	60
5.2 Cross Tabulation Results from Pakistan	99
5.3 Cross Tabulation Results from Malaysia	110
5.4 Correlation Result from Pakistan	122
5.5 Correlation Result from Malaysia	124
5.6 T-test Analysis	126

5.7 Financial Performance	133
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## **CHAPTER SIX**

### **FINDINGS**

6.1 Differences	137
6.2 Similarities	140
6.3 Summary of Financial Performance	142

## **CHAPTER SEVEN**

### **CONCLUSION AND RECOMMENDATION**

7.1 Conclusion	143
7.2 Recommendations	147

<b>BIBLIOGRAPHY</b>	150
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<b>APPENDIX</b>	156
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Questionnaire	157
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## **ABSTRAK**

Kajian ini mengupas beberapa isu dan juga 7 aspek ia-itu promosi, produk, keutamaan, pengetahuan, prestasi dan juga infrastruktur dalam membuat perbandingan perbankan Islam di Pakistan dan di Malaysia. Dua kaedah kajian telah di gunakan untuk menjawab objektif-objektif kajian. Pertamanya ialah kaedah kualitatif (soal-selidik) dan keduanya kaedah kuantitatif (analisa penyata kewangan). Penemuan kajian ini menunjukkan terdapat beberapa persamaan dan perbezaan dalam amalan system perbankan Islam di antara Pakistan dan Malaysia. Kekurangan kesedaran mengenai perbankan Islam di dapati sangat tinggi di Pakistan berbanding di Malaysia. Usaha promosi berkaitan perbankan Islam di Pakistan di dapati adalah di tahap yang rendah sedangkan pelanggan-pelanggan di Malaysia lebih mengetahui mengenai perbankan Islam kerana bank-bank lebih agresif mempromosikan perkhidmatan perbankan Islam mereka. Adalah di sarankan bahawa sokongan padu daripada kerajaan negara masing-masing masih di perlukan untuk terus memperkembangkan perbankan Islam. Hasil kajian juga mendapati bahawa faktor agama merupakan pendorong utama kepada perbankan Islam di Pakistan, sedangkan di Malaysia, perbankan Islam merupakan satu perbankan yang dapat menarik pelanggan Muslim dan juga yang bukan Muslim. Kajian ini juga memberi petanda yang perbankan Islam mempunyai potensi yang cerah di kedua-dua negara.

## **ABSTRACT**

This study deals with several objectives and 7 aspects namely promotion, product, preference, knowledge, performance, problem and infrastructure in making comparison on Islamic banking between Pakistan and Malaysia. Two techniques were used to answer the research objectives. Firstly, the qualitative method (questionnaire) and second the quantitative method (analysis of financial statements of the leading banks). The findings of thesis indicate that there are few differences and similarities exist between Malaysia and Pakistan in Islamic banking practices. The lack of awareness of Islamic banking is very high in Pakistan as compared to Malaysia. A few promotions were used by Islamic banks in Pakistan while in Malaysia customers are knowledgeable about Islamic banking because banks promote them aggressively. However there should be continuous and strong support by each government to stimulate Islamic banking system. The study finds that respondents in both countries agree that Islamic banking is a very important part of banking system primarily for religious factor in case of Pakistan and as for Malaysia it serves as an alternative banking system that appeals to both Muslims and non-Muslims. The study provides evidence that there is a vast potential of future growth in Islamic banking in both countries.



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Khurram Faisal Jamal 86217

## LIST OF TABLES

Table 5.1 How do you rank the performance of Islamic Banking in competition with Conventional Banking?	60
Table 5.2 To what extent the present Islamic Banking System in Pakistan/Malaysia has Islamic spirit?	61
Table 5.3 To what extent the products are designed according to customer's preference?	62
Table 5.4 To what extent the Islamic Banking Products are the best substitute of Conventional Banking Products?	63
Table 5.5 To what extent Islamic Banking Products are developed according to the shariah principle?	64
Table 5.6 The role of present Supervisory Board in the development of Islamic Banking in Pakistan/Malaysia at what level?	65
Table 5.7 Islamic Banks need to improve knowledge sharing among them to make Islamic banking more attractive, how do you rank this?	66
Table 5.8 Trained Staff can play vital role in the success of Islamic Banking System, how do you rank this statement?	68
Table 5.9 To what extent Islamic banking in Pakistan/Malaysia effected due to lack of research & development in this field?	69
Table 5.10 To what extent the Islamic Banking System tailored the market performance?	70
Table 5.11 To what extent the Forums/Conferences are important to create awareness about Islamic Banking?	71
Table 5.12 How do you rank the advertising and promotional Campaign in Islamic Banking sector as a success factor?	72
Table 5.13 To what extent currently Islamic Banks are using advertising and other promotional campaign to attract the customer in Pakistan/Malaysia?	73

Table 5.14 To what extent you consider Moral Hazard and Adverse Selection problem in Islamic Banking System?	74
Table 5.15 Agency problem is a big issue faced by Islamic Banking System, how do you rank this problem?	75
Table 5.16 Which is most popular Islamic Financial Product in Pakistan/Malaysia?	76
Table 5.17 Which Financial Product is being commonly used in your bank for house financing?	78
Table 5.18 Which Financial Product is being commonly used in your bank for creation of letter of credit?	79
Table 5.19 What is the main challenge face by Islamic Banks in Pakistan/Malaysia?	80
Table 5.20 What is the reason of giving preference to Islamic Banking In all over the World?	81
Table 5.21 What are the reasons of not enough using Bay al-Inah and Bay al-Dayn products in Pakistan/Malaysia?	82
Table 5.22 How Education Sector can play its role to promote Islamic Banking?	84
Table 5.23 How to make Islamic Banking more attractive for customer?	85
Table 5.24 Mudarabah and Musharakah investment less popular compared to other form of investment (i.e. BBA, Ijarah and Murabaha)	86
Table 5.25 BBA, Ijarah and Murabaha are more profitable and less risky than Musharakah and Mudarabah.	86
Table 5.26 Monitoring and supervising cost of the Mudarabah and Musharakah is very high for the bank.	87

Table 5.27 Islamic Banking is just a mirror effect of Conventional Banking, is it true?	88
Table 5.28 Government support is a key factor to promote Islamic Banking in a country; do you agree with this statement?	88
Table 5.29 Are you satisfied from the contribution of government and central bank in promoting Islamic Banking in Pakistan/Malaysia?	89
Table 5.30 Have you ever attend any Conference on Islamic Banking?	90
Table 5.31 Education sector contribution for Islamic Banking promotion is appreciateable, is it true?	90
Table 5.32 Have you ever used Bay al-Inah and Bay al-Dayn in banking practice?	91
Table 5.33 The customer prefers Islamic Banking because of interest free element.	92
Table 5.34 Islamic Banking Products are innovative, is it true?	93
Table 5.35 Do you think the Islamic Banking Products are easily available?	93
Table 5.36 Gender	94
Table 5.37 Designation	95
Table 5.38 Age	95
Table 5.39 Working Experience in banking sector	96
Table 5.40 Qualification	97
Table 5.41 Residential Area	97
Table 5.42 Banks	98
Table 5.43 Q16: Which is most popular Islamic Financial Product in Pakistan? *Q25: BBA, Ijarah and Murabaha are more profitable and less risky than Musharakah and Mudarabah.	99
Table 5.44 Q21: What are the reasons of not enough using Bay al-Inah and Bay al-Dayn products in Pakistan?	100

\*Q32: Have you ever used Bay al-Inah and Bay al-Dayn in banking practice?

Table 5.45	Q16: Which is most popular Islamic Financial Product in Pakistan? *Q26: Monitoring and Supervising cost of the Mudarabah and Musharakah is very high for the bank.	101
Table 5.46	Q20: What is the reason of giving preference to Islamic Banking in all over the World? * Q33: The customer prefers Islamic Banking because of interest free element	102
Table 5.47	Q2: To what extent the present Islamic Banking System in Pakistan has Islamic spirit? * Q33: The customer prefers Islamic Banking because of interest free element.	103
Table 5.48	Q13: To what extent currently Islamic Banks are using advertising and other promotional campaign to attract the customer in Pakistan? * Q19: What is the main challenge face by Islamic Banks in Pakistan?	104
Table 5.49	Q5: To what extent Islamic Banking Products are developed according to the shariah priciples? *Q27: Islamic Banking is just a mirror effect of Conventional Banking, is it true?	105
Table 5.50	Q6: The role of present Supervisory Board in the development of Islamic Banking in Pakistan at what level? * Q28: Government support is a key factor to promote Islamic Banking in a country; do you agree with this statement?	106
Table 5.51	Q11: To what extent the Forums/Conferences are important to create awareness about Islamic Banking? * Q30: Have you ever attend any Conference on Islamic Banking?	108
Table 5.52	Q1: How do you rank the performance of Islamic Banking in competition with Conventional Banking? *Q35: Do you think the Islamic Banking Products are easily available?	109
Table 5.53	Q16: Which is most popular Islamic Financial Product in Malaysia? *Q25: BBA, Ijarah and Murabaha are more Profitable and less risky than Musharakah and Mudarabah.	110

Table 5.54	Q21: What are the reasons of not enough using Bay al-Inah and Bay al-Dayn products in Malaysia? *Q32: Have you ever used Bay al-Inah and Bay al-Dayn in banking practice?	111
Table 5.55	Q16: Which is most popular Islamic Financial Product in Malaysia? *Q26: Monitoring and supervising cost of the Mudarabah and Musharakah is very high for the bank.	112
Table 5.56	Q20: What is the reason of giving preference to Islamic Banking in all over the World? * Q33: The customer prefers Islamic Banking because of interest free element.	113
Table 5.57	Q2: To what extent the present Islamic Banking System in Malaysia has Islamic spirit? * Q33: The customer prefers Islamic Banking because of interest free element.	114
Table 5.58	Q19: What is the main challenge face by Islamic Banks in Malaysia? * Q13: To what extent currently Islamic Banks are using advertising and other promotional campaign to attract the customer in Malaysia?	116
Table 5.59	Q5: To what extent Islamic Banking Products are developed according to the shariah priciple? * Q27: Islamic Banking is just a mirror effect of Conventional Banking, is it true?	117
Table 5.60	Q6: The role of present Supervisory Board in the development of Islamic Banking in Malaysia at what level? * Q28: Government support is a key factor to promote Islamic Banking in a country; do you agree with this statement?	118
Table 5.61	Q11: To what extent the Forums/Conferences are important to create awareness about Islamic Banking? *Q30: Have you ever attend any Conference on Islamic Banking?	119
Table 5.62	Q1: How do you rank the performance of Islamic Banking in competition with Conventional Banking? *Q35: Do you think the Islamic Banking Products are easily available?	120
Table 5.63	Correlations Results from Pakistan	122
Table 5.64	Correlations Results from Malaysia	124

Table 5.65 Promotion	126
Table 5.66 Product	127
Table 5.67 Preference	129
Table 5.68 Knowledge	130
Table 5.69 Performance	131
Table 5.70 Problem	132
Table 5.71 Infrastructure	133
Table 5.72 Liquidity Ratios	134
Table 5.73 Risk and Solvency Ratio	134
Table 5.74 Profitability Ratio	134

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Overview of Islamic Banking**

Islamic banking is basically a system of financial intermediation, its primary objective is to avoid receipt and payment of interest. In other words we can say this is to conduct banking transaction with the ethos of the value system of Islam. Islam does not only prohibit dealing with interest but also with liquor, pork, gambling, pornography and any other thing which are considered haram according to shariah. The first modern experiment with Islamic banking was undertaken in Egypt, and it was without projecting an Islamic image. The pioneering effort, in Islamic banking was made by Ahmad El Najar. He first established a savings bank based on profit-sharing in the Egyptian town of Mit Ghamr in 1963. This experiment was successful and since then until 1967 there were nine such banks in the country.

The Nasir Social Bank, established in Egypt in 1971, was declared an interest-free commercial bank. In the seventies, a number of Islamic banks came into existence in the Middle East, for example the Dubai Islamic Bank (1975), the Faisal Islamic Bank of Sudan (1977), the Faisal Islamic Bank of Egypt (1977), and the Bahrain Islamic Bank (1979), to mention a few. The Islamic Development Bank was established in 1974 by the Organization of Islamic Countries (OIC). Over the last three decades Islamic banking did progress so rapidly and has



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